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Tech M&A 2025: Synopsys' \$35B Ansys Deal Reshapes Silicon-to-Systems Innovation

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Global tech M&A grew by 16% in early 2025, led by Synopsys' \$35B acquisition of Ansys, set to close in H1 2025. AI-driven dealmaking fuels growth, despite regulatory scrutiny, addressed via divestitures securing EU and UK approvals. Market volatility, including an 8.4% S&P 500 drop and inflation risks, shifts focus to strategic value.

Synopsys' Acquisition of Ansys

In Jan 2024, Synopsys Inc. announced a definitive agreement to acquire Ansys Inc. for approximately \$35 billion, marking the largest deal in design and simulation software history. Ansys shareholders will receive \$197 in cash and 0.3450 Synopsys shares per Ansys share, valuing the offer at approximately \$390 per share. The deal consists of 55% cash and 45% stock, with \$16 billion in debt financing.

Ansys stockholders approved the merger with 98.7% voting in favor. Major approvals were obtained by early 2025, keeping the deal on track for closure in the first half of 2025.

Strategic Importance of the Deal:

The Synopsys-Ansys merger drives strategic expansion, creating a leader in electronic design automation (EDA) and computer-aided engineering (CAE) simulation. Synopsys specializes in semiconductor design tools, while Ansys excels in physics-based simulation, enabling seamless hardware-software integration.

About Synopsys

Synopsys (NASDAQ: SNPS) is a leader in Electronic Design Automation (EDA) software and semiconductor IP. Founded in 1986, it enables chip design, verification, and cybersecurity for industries like computing, automotive, and aerospace. With a strong financial position, Synopsys drives innovation through AI, emerging technologies, and strategic acquisitions.

About Ansys

Ansys (NASDAQ: ANSS) is a global leader in engineering simulation software, specializing in structural, thermal, fluid, and electromagnetic analysis. Founded in 1970, it serves industries like automotive, aerospace, and electronics, helping optimize designs and accelerate R&D. With its strong recurring revenue model, Ansys plays a crucial role to next-generation technology development.

Synopsys' CEO emphasized the need for integrated solutions to accelerate innovation. The combined company's TAM expands to ~\$28 billion, beyond EDA into broader simulation markets.

By acquiring Ansys, Synopsys blocks Cadence Design Systems from becoming the dominant chip and system design provider, strengthening its competitive edge. This positions Synopsys as a key player in the evolving EDA+CAE landscape.

Financial Structure and Valuation Multiples:

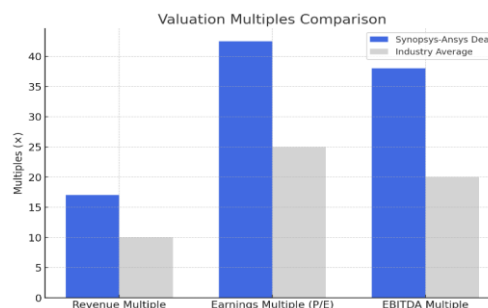
The Synopsys-Ansys transaction's financial structure—~55% cash, ~45% stock—balanced risk and reward. Synopsys raised ~\$16B in new debt, leveraging its previously debt-free status and strong cash flows. Despite the significant debt, Synopsys assured investors it would reduce leverage to <2× debt/EBITDA within two years, easing concerns among shareholders and credit rating agencies.

Ansys's \$35B valuation was rich, implying 17× revenue (\$2.0B in FY2023) and 40–45× earnings (~\$0.8B non-GAAP net income). These high multiples reflected Ansys's market leadership and growth potential. The deal occurred when both companies' stocks were near all-time highs amid an AI-driven rally. Synopsys used its high-valued stock to acquire another high-valued company, effectively structuring a premium-priced merger. Some analysts feared overpayment, but Synopsys highlighted \$400M in cost synergies by year three, operating margin expansion, and cross-selling opportunities, arguing the forward multiple would be lower.

Ansys's strong profitability (EBITDA margins ~40%) and recurring subscription revenue model aligned well with Synopsys's, ensuring strong cash generation. The stock component (~0.345 SNPS shares per ANSS share) helped mitigate valuation risk, allowing Ansys shareholders (~15% of the combined entity) to benefit from post-merger upside.

Market reaction was cautiously optimistic—Synopsys shares rose ~3.8% post-announcement, signaling confidence in the deal's strategic and financial merits.

Meanwhile, Ansys shares which had surged to ~\$330 on rumors, traded in the mid-\$300s after the announcement - a discount to the \$390 offer price but still well above pre-rumor levels. It suggests that shareholders expected the deal to ultimately close.



Competitive and Regulatory Considerations:

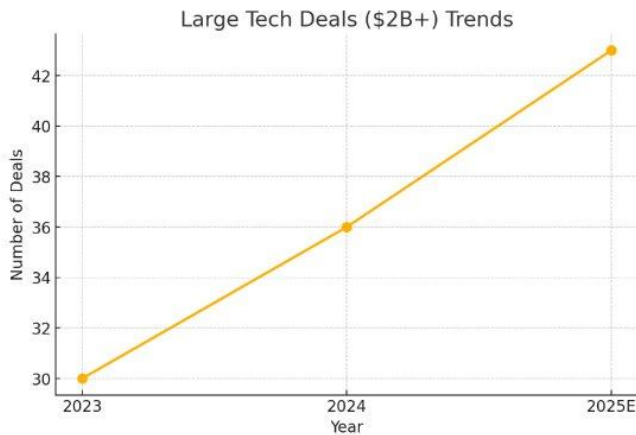
The Synopsys-Ansys merger creates a powerhouse in semiconductor EDA and simulation, expanding into software security and 3D additive manufacturing. This breadth enhances market penetration and bundling, posing challenges for Cadence, which may seek acquisitions like Altair or Dassault's SIMULIA to compete.

Regulators scrutinized anti-competitive risks, including concerns over bundling Ansys's simulation tools with Synopsys's chip design software and the impact of merging two industry leaders (1 in EDA & 1 in simulation) on innovation and open standards.

Global regulators scrutinized the Deal

The EU, UK, and China closely reviewed the Synopsys-Ansys merger due to its global impact. To address concerns, Synopsys divested its Optical Solutions Group and Ansys's Power Artist tool, preserving competition in IC power optimization. These remedies secured EU Phase 1 approval and provisional UK CMA acceptance.

In the U.S., the HSR review period expired without a challenge, indicating FTC comfort. China's SAMR remained the final hurdle, ensuring fair competition for Chinese firms while reviewing potential U.S. export control risks. By early 2025, approvals progressed, keeping the deal on track for closure in H1 2025.



Post-Merger Integration and Synergies

With regulatory approvals secured, Synopsys and Ansys are focused on integration. Both engineering-driven, U.S.-based companies share a strong cultural fit. Synopsys, with a history of successful acquisitions, aims to drive synergies and innovation.

Teams are aligning product roadmaps to integrate workflows, such as linking Synopsys's chip layout tools with Ansys's thermal simulation. Cross-selling opportunities will expand Synopsys's presence in aerospace, automotive, and industrial sectors, while Ansys benefits from semiconductor industry ties.

Cost synergies include eliminating redundant expenses and streamlining R&D, with \$400M in savings by year 3. Margin improvements of 125 bps in operating margin and 75 bps in free cash flow margin are projected within the first year.

A challenge is platform standardization, as both companies offer overlapping tools (e.g., Saber vs. Twin Builder). Synopsys pledges minimal disruption while optimizing offerings. Workforce cuts will be limited, as the merger prioritizes growth, retaining Ansys's engineering talent.

Customer reception is positive, appreciating a unified vendor, though concerns exist around pricing power. Synopsys must balance value-driven pricing to retain customers while staying competitive against Cadence and other rivals.

Conclusion:

The Synopsys-Ansys merger is a transformational \$35 billion deal, strengthening leadership in electronic design automation (EDA) and simulation while driving industry innovation.

To secure approvals, Synopsys made divestitures, reinforcing competition while expanding market reach. Integration is key, requiring product alignment, optimized R&D, and \$400 million in synergies. The merger enhances margins and cross-selling opportunities.

Synopsys shares rose ~3.8% post-announcement, reflecting investor confidence. Customers see value in a unified vendor, but pricing must be managed.

This merger positions Synopsys as an industry leader, reinforcing bold acquisitions as companies prioritize scale and innovation in 2025.

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Vidisha is currently pursuing a Master of Science in Finance at UT Dallas. She holds a Master's in Commerce (M. Com) and a Bachelor of Laws (LLB), providing a multidisciplinary foundation for her finance career. Previously, she gained substantial experience at a consulting firm specializing in mergers and acquisitions, where she conducted financial due diligence and supported complex deal structuring. Passionate about finance, she aims to build a career as a Financial Analyst, leveraging her strong analytical capabilities and experience in M&A to drive strategic investment decisions and enhance business growth.

The Deal Desk provides JSOM students with a platform to share their views on important events impacting the finance industry

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